

Village /User Cooperatives

With cooperatives people are able to do things that they could not do alone. They can buy, sell, and process food and materials on large scale. They can employ people with skills they need. They can become independent of suppliers or services they find inadequate. During the last century cooperatives have been crucial for the successful development of many of the richest countries of the world, such as the Danish farmer cooperatives that helped to establish Danish agricultural exports (Denmark is today the fourth richest country per capita). Cooperatives can be crucial for activities that private investors will not invest in because the profits are too small.

The main types of cooperatives are:

- consumer cooperatives, where consumers own their shop, electricity provider, water supply etc. together (in some countries called consumer societies)
- producer cooperatives, where farmers sell their products together, own dairies together etc.

Cooperatives are company structures, not social structures. They can involve poor people and make their development easier, but they do not necessarily end poverty.



*Microhydro-turbine for village cooperative/society, Sri Lanka.
Photo: ITDG/Practical Solutions*

In a cooperative each member pay an entrance fee (share) according to his or her needs for the service the cooperative provides and sometimes additionally gives a guarantee. Then the members can use the service and pay or receive money depending on the kind of cooperative. The cooperatives are either non-profit companies or pay their profit to the members of the cooperative according to the share or the actual use of each member. Often cooperatives are limited companies where the members can never loose more than their share + their eventual guarantee.

In cooperatives the general rule is that each member has one vote.

Cooperatives have been important in development of energy supply, owning power plants, electric grids and many other supply structures that a family or a small company cannot afford alone. This is the case in many countries throughout the world. Cooperatives for energy to reduce poverty can include:

- village cooperatives that establish small hydropower and mini grid (see case from Sri Lanka)
- village cooperatives that establish local power supply, e.g. from wood gasification, engine, PV, etc.
- consumer cooperatives for maintenance, such as repair of PV and biogas installations.
- farmer cooperatives that produce vegetable oil for transport (such as Jatropha oil) or biodiesel

-farmer cooperatives that produce fuel (such as charcoal briquettes) from agricultural residues

To work successfully, cooperatives must be adapted to the societies they are part of and they must have the necessary skills and facilities for the types of businesses they are doing. In addition they must have a leadership and a board of members that actively work for an efficient operation of the cooperative aiming at the highest benefits for the members.

Like any other business, cooperatives are not free from problems. Problems to look out for are:

- That the cooperative work as efficient as a good private company
- That the management does not take private benefits from the operation or give special benefits to some people. This has been a serious problems in areas where there is little experience with cooperatives or where the business morale for some reason degrade.
- That the conditions for the cooperative can change so much that the benefit of the cooperative for the members does not exist any longer. Then a restructuring is necessary, based in an analysis of the development and of the opportunities, and a general discussion among members.
- Dissatisfaction among members. To avoid that, cooperatives must have the maximum openness in its operations. Members must know precisely why they pay for. Further, they must have opportunities to suggest improvements.

How to form a cooperative:

- First there must be a need for the service that a cooperative can provide (such as lack of rural energy supply) and ideas to solve it (such a local energy supply)
- an overview of available legal structures is important, and then to choose the best available option (few lines about available structures in the four countries, such as the structure "limited cooperative" when it exist)
- a business plan that make it clear to potential members what they get, what they pay and what they risk. The business plan should be based on best available information including experience from similar activities, eventual subsidies that can be given, etc.
- information to potential members
- creation of a list of interested members. Usually the cooperative can only be established if a minimum number of members join.
- bylaws should be developed, usually based on existing bylaws from similar cooperatives
- a general assembly is the formal start of the cooperative. It also elects the board that start the operations.